

Message Text

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ORIGIN XMB-04

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EB-07 FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 OPIC-06

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FM SECSTATE WASHDC

TO AMEMBASSY CARACAS

UNCLAS STATE 298141

E.O. 11652: N/A

TAGS: EAID, EFIN, XM

SUBJECT: EVENT OF DEFAULT - EXIMBANK CREDIT NO 3338

EXIMBANK HAS PROVIDED A LOAN (CREDIT NO. 3338) AND GUARANTEE OF FINANCING BY MANUFACTURER'S HANOVER TRUST COMPANY TO INSTITUTO VENEZOLANO DE PETROQUIMICA (IVP), APARTADO DE CORREOS 2066, CARACAS. THE CREDITS ARE FULLY DISBURSED. IN AUGUST 1975 EXIMBANK LEARNED THAT IVP HAD PREPAID THE FULL AMOUNT OF THE MANUFACTURER'S HANOVER LOAN. AS A RESULT, MR. WALTER C. SAUER, FIRST VICE PRESIDENT AND VICE CHAIRMAN, BY LETTER OF AUGUST 11, 1975, TO MR. HELI HUMBERTO MONTIEL RIOS, DIRECTOR DE FINANZAS ENCARGADO, IVP, REMINDED MR. MONTIEL THAT ARTICLE V (C) (5) OF THE EXIMBANK/IVP CREDIT AGREEMENT OF JANUARY 16, 1974, AS AMENDED, PROVIDED THAT IVP SHALL NOT PREPAY ANY PORTION OF ITS COMMERCIAL LOAN, I.E., ITS LOAN FROM MANUFACTURER'S HANOVER, UNLESS A RATABLE PREPAYMENT IS MADE TO EXIMBANK. MR. MONTIEL WAS ASKED TO EXPLAIN THE PREPAYMENT AND TO ADVISE WHETHER MANUFACTURER'S HANOVER HAD BEEN INSTRUCTED TO ALLOCATE TO EXIMBANK A RATABLE PORTION OF THE PREPAYMENT. NO REPLY HAS BEEN RECEIVED TO THIS LETTER.

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ON AUGUST 20 EXIMBANK STAFF MEMBERS, EDWARD O'CONNER AND ROBERT SIMONINI, ON A VISIT TO VENEZUELA DISCUSSED THIS MATTER WITH IVP'S DR. GREGORIO SALCEDO AND DR. RUBEIN GIROL. THE IVP OFFICIALS ADVISED THAT THEY WOULD LOOK FURTHER INTO THIS MATTER AND EITHER INSTRUCT MANUFACTURER'S HANOVER TO REMIT \$10,395,000 (ONE-HALF OF THE PREPAYMENT) TO EXIMBANK OR PREPAY THE EXIMBANK PORTION (\$20,789,998.16). THEY AGREED TO BE IN CONTACT WITH EXIMBANK SHORTLY CONCERNING THEIR FINAL DECISION.

NO REPLY BEING RECEIVED EXIMBANK CABLED IVP'S DR. GREGORIA SALCEDO ON SEPTEMBER 30, 1975, AND INQUIRED AS TO THE STATUS OF THE RATABLE PREPAYMENT DUE EXIMBANK. IN REPLY, ON OCTOBER 22 DR. SALCEDO CABLED EXIMBANK AND ADVISED THAT THE EXIMBANK CORRESPONDENCE HAD BEEN SENT TO THE DIRECTOR OF PUBLIC CREDIT OF THE MINISTRY OF FINANCE AND THAT DISCUSSIONS HAD BEEN HELD WITH THE DIRECTOR, DR. DELFIN PONCE LUGO WHO HAD ASKED TO BE PUT IN CONTACT WITH EXIMBANK FOR THE PURPOSE OF ARBITRATING FORMULAS TO BRING ABOUT AN AGREEMENT. DR. SALCEDO REQUESTED THAT EXIMBANK CONTACT DR. PONCE LUGO WHICH EXIMBANK DID BY CABLE ON NOVEMBER 6. IN ITS CABLE EXIMBANK STATED THAT UNDER THE TERMS OF ARTICLE V (C (5) OF THE EXIMBANK-IVP AGREEMENT EXIMBANK MUST EITHER (1) BE IMMEDIATELY PAID \$20,790,000 OR (2) RECEIVE FROM MANUFACTURERS HANOVER \$10,395,000, I.E., ONE-HALF OF THE FUNDS RECEIVED IN PREPAYMENT. EXIMBANK HAS NOT RECEIVED ANY REPLY TO THIS CABLE.

ACCORDINGLY, THE EMBASSY IS REQUESTED TO CONTACT DR. PONCE LUGO AND TO ADVISE EXIMBANK TO THE ATTENTION OF JOHN MCDONNELL, VICE PRESIDENT, CONTRACT ADMINISTRATION, AS TO THE STATUS OF THE PREPAYMENT DUE EXIMBANK. THIS MATTER IS OF GREATEST CONCERN TO EXIMBANK AS THE PREPAYMENT DUE EXIMBANK SHOULD HAVE BEEN MADE OVER A YEAR AGO, SEPTEMBER 16, 1974, WHEN IVP PAID MANUFACTURER'S HANOVER. FAILURE TO ABIDE BY ANY OF THE TERMS OF THE EXIMBANK-IVP AGREEMENT REPRESENTS AN EVENT OF DEFAULT UNDER ARTICLE VIII OF THAT AGREEMENT AND THE FULL AMOUNT OF THE OUTSTANDING INDEBTEDNESS PLUS ACCRUED INTEREST BECOMES IMMEDIATELY DUE AND PAYABLE. IN THIS REGARD, PLEASE NOTE THAT EXIMBANK IS GUARANTEED PAYMENT BY THE REPUBLIC OF VENEZUELA, MINISTRY OF FINANCE, BY AGREEMENT DATED FEBRUARY 23, 1972, AS AMENDED. KISSINGER UNCLASSIFIED

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